

FISCAL INFORMATION SUMMARY

This memorandum provides fiscal information regarding major tax types and key cost areas.

1. **Sales and use tax revenue (including motor vehicle excise tax).** The estimated impact on general fund revenues of a one percentage point change in the state's 5 percent sales and use tax, including the motor vehicle excise tax, is approximately **\$735 million per biennium**, or \$367.5 million per year for the 2015-17 biennium based on the December 2014 revenue forecast. The following schedule shows general fund revenue collections from sales and use taxes, including motor vehicle excise taxes, for the 2001-03 through 2015-17 bienniums. The amounts shown for 2007-09 and 2009-11 are net of a portion of motor vehicle excise taxes, after distribution to the state aid distribution fund, being deposited in the highway fund (10 percent in 2007-09 and 25 percent in 2009-11).

Biennium	General Fund Actual or Estimated Revenue (Amounts Shown in Millions)	Percentage Change From Previous Biennium
2001-03	\$760.2	5.3%
2003-05	\$845.8	11.3%
2005-07	\$967.7	14.4%
2007-09 (net of 10 percent of motor vehicle excise tax to highway fund)	\$1,176.6	21.6%
2009-11 (net of 25 percent of motor vehicle excise tax to highway fund)	\$1,391.6	18.3%
2011-13	\$2,449.7	76.0%
2013-15 (December 2014 forecast)	\$2,824.7	15.3%
2015-17 (December 2014 forecast)	\$3,358.3	18.9%

2. **Individual income tax revenue.** House Bill No. 1399 (2001) decoupled the state income tax from the federal income tax to a rate based on federal taxable income. The current tax rates range from approximately 1.22 percent to 3.22 percent of taxable income. The estimated impact on general fund revenues of a 10 percent change in the state income tax rates (e.g., the 3.22 percent rate would increase by .322 percent to 3.54 percent, or decrease by a like amount to 2.90 percent) is approximately **\$97 million per biennium**, or \$48.5 million per year for the 2015-17 biennium based on forecasted revenues net of the \$100 million reduction in collections resulting from the executive budget recommendation relating to 2015-17 biennium income tax relief. The following schedule shows general fund revenue collections from individual income taxes for the 2001-03 through 2015-17 bienniums:

Biennium	General Fund Actual or Estimated Revenue (Amounts Shown in Millions)	Percentage Change From Previous Biennium
2001-03	\$396.2	(3.2%)
2003-05	\$452.5	14.2%
2005-07	\$587.7	29.9%
2007-09	\$681.7	16.0%
2009-11	\$729.3	7.0%
2011-13	\$1,046.2	43.5%
2013-15 (December 2014 forecast) (net of estimated \$200 million of income tax relief)	\$951.1	(9.1%)
2015-17 (December 2014 forecast) (net of recommended \$100 million of income tax relief)	\$858.4	(9.7%)

3. **Gas tax revenues.** A one-cent gas tax increase over the current 23 cents per gallon raises an estimated \$4.4 million per year or **\$8.8 million per biennium**. A one-cent special fuels (diesel) tax increase over the current 23 cents per gallon raises an estimated \$3.8 million per year or **\$7.6 million per biennium**. Under the current highway tax distribution fund formula, the **\$16.4 million total** would be allocated as follows: \$10.1 million, or 61.3 percent, would be deposited in the state highway fund; \$5.7 million, or 34.5 percent, would be distributed to counties and cities; \$440,000, or 2.7 percent, would be deposited in the township highway aid fund; and \$160,000, or 1.5 percent, would be deposited in the public transportation fund.

4. **Oil tax revenue.** The following schedule presents total revenue collections from oil and gas taxes for the 2001-03 through 2015-17 bienniums:

Biennium	Total Oil Tax Revenues		
	Actual or Estimated Revenue (Amounts Shown in Millions)	Increase (Decrease) From Previous Biennium	
		Amount	Percentage
2001-03	\$119.7		
2003-05	\$192.8	\$73.1	61.1%
2005-07	\$352.6	\$159.8	82.9%
2007-09	\$799.0	\$446.4	126.6%
2009-11	\$1,568.2	\$769.2	96.3%
2011-13	\$4,068.6	\$2,500.4	159.4%
2013-15 (December 2014 forecast)	\$6,800.5	\$2,731.9	67.1%
2015-17 (December 2014 forecast)	\$8,322.3	\$1,521.8	22.4%

5. **Changes in oil tax revenue.** The estimated impact on oil tax revenues of a \$1 increase or decrease in the price of a barrel of oil is approximately **\$106 million per biennium** based on the December 2014 forecast for oil and gas tax collections and production levels. The estimated impact is based on oil production levels; therefore, the estimated revenue impact for the 2015-17 biennium of a \$1 price change ranges from \$66 million at a production level of 720,000 to 900,000 barrels per day to \$114 million at a production level of 1,320,000 to 1,500,000 barrels per day if the price of oil is above the trigger price. If the price of oil is below the trigger price resulting in a reduced effective oil extraction tax rate, the estimated revenue impact for the 2015-17 biennium of a \$1 price change ranges from \$35 million to \$61 million based on production levels ranging from 720,000 to 1,500,000 barrels per day.
6. **Oil prices.** The average oil price reported by Flint Hills Resources in November 2014 for North Dakota crude oil was \$60.16 per barrel, and the price on December 22, 2014, was \$37. The following schedule provides information on oil prices for the 2011-13 through 2015-17 bienniums:

Period	Average Price Per Barrel			
	Monthly Average ¹	Comparison Price ²	Trigger Price ³	Variance of Comparison to Trigger
Fiscal year 2012	\$79.44	\$93.60	\$50.08	\$43.52
Fiscal year 2013	\$82.68	\$88.68	\$52.19	\$36.49
2011-13 biennium average or total	\$81.06	\$91.14	\$51.14	\$40.00
Fiscal year 2014	\$85.04	\$98.01	\$52.06	\$45.95
Fiscal year 2015 estimates	\$75.81	N/A	\$52.58	N/A
2013-15 biennium average or total	\$80.43	N/A	\$52.32	N/A
2015-17 biennium estimates	\$79.25	N/A	N/A	N/A

¹The monthly average price reflects the price of oil published by Flint Hills Resources, which is most reflective of the North Dakota price.

²The comparison price is the monthly average of the daily closing price for a barrel of West Texas Intermediate Cushing crude oil minus \$2.50 (North Dakota Century Code Chapter 57-51.1).

³The trigger price was set in 2001 at \$35.50 as indexed for inflation. The trigger price is determined by the Tax Department for each calendar year.

7. **Oil production.** The following schedule provides information on oil production for the 2011-13 through 2015-17 bienniums:

Period	Oil Production (in Barrels)	
	Average Per Day	Total
Fiscal year 2012	517,078	188,648,756
Fiscal year 2013	744,238	271,596,654
2011-13 biennium average or total	630,658	460,245,410
Fiscal year 2014	941,491	343,644,290
Fiscal year 2015 estimates	1,172,439	427,874,882
2013-15 biennium average or total	1,056,965	771,519,172
2015-17 biennium estimates	1,368,542	972,815,000

8. **State school aid program.** The 2015-17 executive budget recommendation provides funding of \$1.99 billion, of which \$1.77 billion is from the general fund and \$219.1 million from the state tuition fund, for the state school aid program. The following schedule summarizes state school aid program funding:

	2013-15 Legislative Appropriations (Amounts Shown in Millions)	Increase (Decrease) (Amounts Shown in Millions)	2015-17 Executive Budget (Amounts Shown in Millions)
State school aid	\$1,752.1	\$147.9	\$1,900.0
Transportation aid payments	53.5	6.5	60.0
Rapid enrollment grants	13.6	1.2	14.8
Special education - Contracts	16.5	.8	17.3
Total	\$1,835.7	\$156.4	\$1,992.1
General fund	\$1,695.4	\$77.6	\$1,773.0
State tuition fund	140.3	78.8	219.1
Total	\$1,835.7	\$156.4	\$1,992.1

9. **State employee salary increase, excluding higher education.** The estimated cost of a 1 percent state employee salary increase per year, including fringe benefits, is \$6.3 million, of which \$3.7 million is from the general fund. This estimate excludes higher education employees.
10. **Inflationary increases.** The historic and projected consumer price indexes as recorded or projected by Moody's Analytics (October 2014) based on the **consumer price index for all urban consumers** are:

1993	3.0%	2006	3.2%
1994	2.6%	2007	2.9%
1995	2.8%	2008	3.8%
1996	2.9%	2009	(0.3%)
1997	2.3%	2010	1.6%
1998	1.5%	2011	3.1%
1999	2.2%	2012	2.1%
2000	3.4%	2013	1.5%
2001	2.8%	2014	1.7% (projected)
2002	1.6%	2015	1.9% (projected)
2003	2.3%	2016	2.3% (projected)
2004	2.7%	2017	2.9% (projected)
2005	3.4%	2018	2.9% (projected)